

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 NEA-10 ISO-00 AID-05 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 USIA-06
TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01
AGRE-00 /078 W
-----068784 210907Z /11

R 201327Z MAR 78
FM AMEMBASSY DAKAR
TO SECSTATE WASHDC 3337
INFO AMEMBASSY ABIDJAN
AMEMBASSY BRUSSELS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY PARIS

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ABIDJAN FOR AGATT, E/C SECTION

BRUSSELS FOR USEC

E.O. 11652: N/A
TAGS: EFIN, SG
SUBJECT: CITIBANK-LED CONSORTIUM LENDS SENEGAL \$60 MILLION

1. SUMMARY: SENEGAL SIGNED \$60 MILLION "JUMBO" LOAN PACKAGE PUT TOGETHER BY CITIBANK ON MARCH 16. TOGETHER WITH SUPPORT FROM IBRD, ARAB AND EUROPEAN DONORS, LOAN WILL HELP FINANCE RICE AND OTHER AGRICULTURAL DEVELOPMENT SCHEMES ALONG SENEGAL AND CASAMANCE RIVERS, AS WELL AS LIVESTOCK DEVELOPMENT AND RURAL ELECTRIFICATION PROJECTS. TERMS ARE 7 YEARS (INCLUDING 30 MONTH GRACE PERIOD) AT 2 TO 2.5 PERCENT OVER LIBOR. EXTENSION OF COMMERCIAL LOAN FOR SLOW PAYBACK AGRICULTURAL PROJECTS IN DROUGHT-PLAGUED SENEGAL HAS HIGHLY CONTROVERSIAL ASPECTS, BUT MOST PROJECTS INVOLVED BLEND SOFT
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AND HARD MONEY AND IT IS EXPECTED THAT, FOLLOWING THIS LARGE INCREASE IN SENEGAL'S COMMERCIAL EXPOSURE, GOS WILL RETURN TO CAUTIOUS BORROWING POLICY OVER SHORT-TERM.
END SUMMARY.

2. OUSMANCKE SECK, IN HIS FIRST OFFICIAL ACT AS FINANCE MINISTER (DAKAR 2012), SIGNED AGREEMENT ON MARCH 16 FOR

\$60 MILLION COMMERCIAL LOAN MANAGED BY CITICORP INTERNATIONAL BANK OF LONDON, SUBSIDIARY OF CITIBANK.

3. TOTAL OF 19 BANKS ARE PARTICIPATING IN THIS EURODOLLAR LOAN. CITIBANK TOOK \$15 MILLION, THE LARGEST SINGLE CHUNK. THREE OTHER AMERICAN BANKS ARE INVOLVED: CHASE MANHATTAN (\$7 MILLION), FIRST NATIONAL BANK OF BOSTON (\$3 MILLION) AND NATIONAL BANK OF NORTH AMERICA (\$2 MILLION). WE WERE TOLD IN STRICT CONFIDENCE BY LOCAL CITIBANK REP THAT TERMS OF LOAN ARE SEVEN YEARS (30 MONTH GRACE, FOUR AND ONE-HALF YEARS TO REPAY) AT TWO PERCENT OVER LIBOR FOR THE FIRST THREE YEARS AND TWO AND ONE-HALF OVER LIBOR OVER FINAL FOUR YEARS. DRAWDOWN MUST OCCUR IN TWO YEARS.

4. PROJECTS TO BE FINANCED AS PART OF LOAN ARE AS FOLLOWS:

--SOCIETE D'AMENAGEMENT ET D'EXPLOITATION DU DELTA (SAED): \$10 MILLION GOES TO THIS IRRIGATION AND LAND RECLAMATION PROJECT ON SENEGAL RIVER. SAED HAS \$69 MILLION OVERALL PROGRAM OVER NEXT FIVE YEARS (\$25 MILLION FINANCED BY WORLD BANK (IDA) TO INCREASE PRODUCTION OF RICE WITH SECONDARY EMPHASIS ON TOMATOES, WHEAT, AND CORN.

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--SEDHIOU PROJECT (RICE SCHEME ON CASAMANCE RIVER): SLATED TO RECEIVE \$3.1 MILLION. THIS \$15 MILLION PROJECT IS TWO-THIRDS FINANCED BY SOFT LOANS FROM IBRD AND FRENCH SOURCES.

--NYASSIA AND DUIDEL DAMS: \$4.6 MILLION FOR TWO DAMS IN CONJUNCTION WITH RICE CULTIVATION PROJECTS ON THE CASAMANCE RIVER. TOTALLY FINANCED BY EURODOLLAR LOAN.

--SODEFITEX: \$3.1 MILLION FOR LIVESTOCK PROGRAM IN EASTERN SENEGAL. IBRD AND KUWAIT FUND SUPPLYING MAJORITY FINANCING IN \$13 MILLION PROJECT.

-- SODAGRI-SENERIZ IRRIGATION DAM: HALF OF LOAN, \$30.2 MILLION, GOES TO KAYANGA DAM AS PART OF THIS \$137 MILLION RICE PROJECT IN SOUTHERN SENEGAL. SAUDI FUND HAS AGREED TO SUPPLY \$25 MILLION ON CONCESSIONAL TERMS FOR OTHER PORTIONS OF KAYANGA DAM PROJECT.

--RURAL ELECTRIFICATION: LOAN INCLUDES \$10.7 MILLION FOR ELECTRIFICATION OF TEN RURAL AREAS. TOTALLY

FINANCED BY EURODOLLAR LOAN.

5. MANY VISITING U.S. BANKERS HAVE CRITICIZED THIS "JUMBO", AS THEY CALL IT, FOR ITS FOCUS ON AGRICULTURAL PROJECTS WHICH HAVE LONG LEAD-TIMES AND SLOW PAYBACK. HOWEVER, AFOREMENTIONED PROJECTS DO HAVE REASONABLE BLEND OF SOFT AND HARD MONEY AND, IN SOME CASES, EURODOLLAR LOAN WAS NECESSARY, EITHER AS FINAL PIECE OF ELABORATE MULTI-DONOR FINANCING PACKAGE OR AS INCENTIVE FOR OTHER INVESTORS TO PARTICIPATE. (WORD IS THAT SUADI FUND REFUSED TO SIGN ON TO SODAGRI PROJECT UNTIL EURODOLLAR LOAN WAS COMMITTED.) IN ADDITION, DISMAL AGRI&ULTURAL YEAR OF 1977-38 UN\$ERSCORES URGENCY OF MANAGING SCARCE WATER RESOURCES AND TRYING TO CUT LIMITED OFFICIAL USE

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MASSIVE FOOD DEFICIT.

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ABIDJAN FOR AGATT, E/C SECTION

BRUSSELS FOR USEC

6. ANOTHER FREQUENT CRITICISM IS THAT SENEGAL, COMING OFF BAD AGRICULTURAL YEAR DUE TO DROUGHT, SHOULD BE AVOIDING COMMERCIAL BORROWING AT THIS TIME. THIS LOAN PROBABLY DOES PLACE SENEGAL'S COMMERCIAL EXPOSURE CLOSE ITS CURRENT LIMIT. GOS FINANCIAL MANAGEMENT HAS ALWAYS BEEN SENSITIVE TO DEBT-SERVICE RATIO AND IN PAST HAS TRIED TO HOLD FIGURE UNDER 12 PERCENT. INDICATIONS ARE RATIO WILL PASS THAT THRESHOLD DURING 1978, AND THAT GOS WILL RETURN TO CAUTIOUS BORROWING POLICY OVER SHORT-TERM.

7. FOR ABIDJAN: DAKAR CITIBANK MANAGER PETER BENEVILLE WORKED BETTER PART OF YEAR PUTTING LOAN TOGETHER. BENEVILLE, WHO HAS BEEN VALUABLE EMBASSY CONTACT, IS LIMITED OFFICIAL USE

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TRANSFERRING TO ABIDJAN IN JUNE.
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Message Attributes

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